

# ARIZONA TAX NEWS



Jane Dee Hull, Governor

Mark W Killian, Director

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### E-Mail Your Questions

If you have a question that you cannot find the answer to, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry. All inquiries will be responded to within two working days.

E-mail your question to:  
[TaxpayerAssistance@revenue.state.az.us](mailto:TaxpayerAssistance@revenue.state.az.us)

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

## DOR Welcomes Potential Business Partners

American Management Systems arrived at the Department of Revenue on July 9. AMS is the first of our potential business partners working with the BRITS Technical Team to perfect their proposal for an Integrated Tax System. There are three more vendors due to arrive in the next few weeks. The vendors will work with DOR until the end of the year as they develop their proposals. When each of the vendors has completed the work on their proposal, they will submit it to DOR for evaluation. All proposals are expected to be completed by December 31, 2001. After an evaluation period, a

contract will be awarded and implementation of the new system will begin in the Spring of 2002. The Department is looking for an integrated tax system that focuses on the needs of our customers. The Request for Proposal drafted by DOR and managed by the State Purchasing Office requires a Customer Relationship Management feature that enables a "no wrong door" approach to customer service. This feature can only be developed with a fully integrated system. Taxpayers and preparers contacting DOR Customer Service staff will be able to get all of their concerns addressed with only one call.

## 2001 Biggest Year Yet For E-file

Thanks to the participation of tax preparers throughout the state, this has been the biggest year yet for E-filing. As of July 11, there were 407,103 E-filed returns, or 20% of our total filed Individual returns. This compares to 237,032 E-filed returns for the 1999 tax year. This was also the first year for direct deposit of tax refunds to taxpayer's bank accounts and it proved to be a

popular feature of E-filing. Direct deposit of refunds was used by 139,052 taxpayers for a total of over \$98 million. DOR's projection for the 2002 filing season is over 500,000 E-filed returns. Electronically filed returns are beneficial to taxpayers, preparers, and the Department because the process is fast, accurate, and there is a tremendous reduction in the amount of paper in the system.

**\*\*\* REMINDER \*\*\***

**FOR NON-EFT TPT FILERS**

**To avoid a delinquency, postmark your August 2001 TPT return no later than September 25, 2001 or deliver to DOR no later than September 27, 2001.**

**April Summary of General Fund Revenues**

	April 2001	Fiscal Year Total
<b>Individual Income Tax</b>		
Net Collections	(\$280,828,720)	\$1,622,200,031
Percent Change *	37.6%	(2.7%)
<b>Corporate Income Tax</b>		
Net Collections	\$100,414,766	\$452,960,479
Percent Change *	(3.0%)	14.2%
<b>Transaction Privilege, Severance &amp; Use Taxes</b>		
Net Collections	\$260,585,571	\$2,477,526,670
Percent Change *	(5.4%)	6.3%
<b>Total Big Three Tax Types</b>		
Net Collections	\$641,829,057	\$4,552,687,180
Percent Change *	(15.7%)	5.7%

( ) Decrease from same month last year.

\* Percent change from same month last year.

**Individual Income Tax**

**Individual Income Tax Receipts**

	April 01	April 00	%Change
Gross Collections	\$338,244,194	\$284,753,180	(18.8)
Withholding	179,747,852	158,948,372	13.1
Refunds	(204,125,606)	(208,202,335)	(2.0)
Urban Rev Sharing	(33,037,720)	(31,475,916)	5.0%
<b>Net Collections</b>	<b>\$280,828,720</b>	<b>\$204,023,302</b>	<b>37.6</b>

	(00/01)	(99/00)	%Change
Gross Collections	\$663,620,449	\$610,009,478	8.8%
Withholding	1,955,758,679	1,854,571,371	5.5%
Refunds	(666,801,898)	(570,304,139)	16.9%
Urban Rev Sharing	(330,377,200)	(314,759,158)	5.0
<b>Net Collections</b>	<b>\$1,622,200,031</b>	<b>\$1,579,517,552</b>	<b>(2.7%)</b>

**TAX CALENDAR**

**SEPTEMBER 2001**

Due Date		For Period Ending
3	State Holiday-Labor Day	Closed
17	Income Tax Returns:	5/31/01
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
17	Form 120: Corporation with Automatic Extension	11/30/00
17	Form 120S: S Corporation	6/30/01
17	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	4/30/01
17	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	5/31/02
	Second Installment	3/31/02
	Third Installment	12/31/01
	Fourth Installment	9/30/01
20	Form TPT-1: Transaction Privilege Tax: August Monthly Filers	8/31/01
20	Bingo: Financial Reports	8/31/01
20	Luxury Tax: Various Forms	8/31/01
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: August Monthly Filers	8/31/01

**Withholding Information:**

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits. If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

**Don't Forget...**

Renew your subscription to the Arizona TaxNews at least 30 days before expiration to avoid missing issues.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from: **Tony Manzo** at (602) 542-3062 or toll free (877) 863-0655.

# Arizona Department Of Revenue

## Alternative Fuel Vehicle Report For June, 2001

Pursuant to A.R.S. §§43-1086, 43-1086.01, 43-1086.02, 43-1174, 4-1174.01 and 43-1174.02, credits are allowed for the following:

- The purchase or lease of an alternative fuel vehicle;
- The purchase and installation of a vehicle refueling apparatus;
- The construction or operation of an alternative fuel delivery system.

The taxpayer shall claim the credit with the filing of the Arizona income tax return.

In accordance with S.B. 1004, Section 37(A), the Director of the Department of Revenue shall report the following amounts related to:

- The aggregate dollar amount of alternative fuel related credits claimed under sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and 43-1174.02, Arizona Revised Statutes, on income tax returns during the preceding calendar month.

*For the period of June 1 through June 30, 2001, the department received 541 individual income tax returns with claims for alternative fuel related credits totaling \$10.5 million. A total of 4,160 individual income tax returns with claims have been received in January through June, totaling \$75.4 million in credit.*

*The department also received 33 corporate income tax returns in June with claims for alternative fuel related credits totaling \$1.1 million. A total of 72 corporate income tax returns with claims have been received in January through June, totaling \$9.0 million in credit.*

- The dollar amount of verified credits claimed in the preceding calendar month not used to offset income taxes under title 43, Arizona Revised Statutes.

*For the period June 1 through June 30, 2001, the department issued 1,672 individual income tax refunds for alternative fuel related credits. There was \$30,507,979 in AFV credits on these 1,672 returns. After offsetting \$6,380,522 in liability, \$24,127,457 was refunded. The department issued 26 corporate refunds for alternative fuel related credits. There was \$1,056,283 in AFV credit on these 26 returns. After offsetting \$29,221 in liability, \$1,027,062 was refunded.*

***Combining the corporate and individual income tax return amounts results in \$25,154,519 that should be transferred from the Budget Stabilization Fund into the General Fund for June 2001. The total AFV credits paid from the Budget Stabilization***

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## Annual Bond Exemption Certificates

Annual Bond Exemption Certificates will be mailed out by July 27, 2001. These exemption certificates are effective August 1, 2001 and expire July 31, 2002. In order to qualify for the annual bond exemption

certificate, contractors must report and pay on a timely basis for two years. Otherwise, contractors must request a one-time exemption for building permit(s) on all projects over \$50,000.

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*Fund in this calendar year totals \$66,360,441.*

- The cumulative dollar amount of the credits claimed in all taxable year, beginning from and after December 31, 2000.

*The cumulative dollar amount of credits (individual and corporate) claimed is \$84.4 million.*

- The/Any estimated amounts remaining to be claimed as credits in each fiscal year.

*Through June, 4,232 returns have been received. These returns contained 3,877 claims for vehicles, 9 claims for refueling stations and 346 claims for refueling apparatus. Returns received with incomplete documentation are*

*counted as being received but not included in the information from the Office of Alternative Fuel Recovery, it is anticipated that more than 5,000 vehicle credit claims will be filed. In addition, it is anticipated there will be claims for the other alternative fuel credits. However, at this time, the department has no independent means of estimating the amount yet to be claimed.*

If you should have any questions, please contact Anthony Forschino at (602) 542-4672  
Very truly yours,  
Mark W. Killian  
Director

## Arizona General Tax Procedure GTP 01-2

Procedure for Requesting Relief from  
Alternative Fuel Vehicle Registration,  
Ownership and Fuel Usage Requirements  
(This procedure supersedes GTP 01-01)

### **APPLICABLE LAW:**

Arizona Revised Statutes (A.R.S.) §§ 43-1086 and 43-1174 provide tax credits to individuals and corporations for the purchase, lease or conversion costs of alternative fuel vehicles. Laws 2000, 7th S.S., ch. 1, sections 16 and 19 and Laws 2001, ch. 179, sections 2 and 3 amended A.R.S. §§ 43-1086(E) and 43-1174 (E) to require that certain conditions be met to qualify for a tax credit. These conditions include:

- The taxpayer shall not transfer the vehicle to any person other than a member of the taxpayer's immediate family for thirty-six months after the initial registration of the vehicle. This requirement does not apply if the vehicle is demolished or the taxpayer

dies before the expiration of the thirty-six month period. A.R.S. §§ 43-1086(E)(2) and 43-1174(E)(2).

- The vehicle shall be registered in this state for at least 36 months. A.R.S. §§ 43-1086(E)(3) and 43-1174(E)(3).
- If the vehicle is a bi-fuel vehicle that operates on liquefied petroleum gas (LPG), the taxpayer shall provide evidence satisfactory to the department of revenue that at least 50% of the fuel the vehicle uses is alternative fuel for 36 months from the date the vehicle is initially registered as an alternative fuel vehicle. A.R.S. §§ 43-1086(E)(4) and 43-1174(E)(4).
- If the vehicle is a bi-fuel vehicle that operates on compressed natural gas (CNG), the taxpayer shall provide evidence satisfactory to the department of revenue that the vehicle use the following percentages of

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alternative fuel for 36 months from the date the vehicle is initially registered as an alternative fuel vehicle:

At least 25% of the fuel the vehicle uses the first twelve months.

At least 33 1/3% of the fuel the vehicle uses in the thirteenth through twenty-fourth months.

At least 50% of the fuel the vehicle uses in the twenty-fifth through thirty-sixth months.

A.R.S. §§ 43-1086(E)(5) and 43-1174(E)(5).

- The vehicle complies with emissions inspection requirements for alternative fuel vehicles prescribed in A.R.S., Title 49, Chapter 3, Article 5. A.R.S. §§ 43-1086(E)(6) and 43-1174(E)(6).

A.R.S. §§ 43-1086(F) and 43-1174(F) each provides:

The director may relieve a taxpayer of requirements under subsections E, paragraphs 2 through 6 of this section if both the following apply:

The taxpayer is unable to meet the requirement due to circumstances that would make the requirement unfair or inequitable to the particular taxpayer.

The taxpayer acted in good faith and the taxpayer intended to primarily propel the vehicle with alternative fuel.

A.R.S. § 42-1251 provides for appeal to the department for a hearing, correction or

redetermination of a proposed assessment.

A.R.S. § 42-1253 provides for appeal to the state board of tax appeals of a final decision of the department.

Executive Order 2000-21 created the Office of Alternative Fuel Recovery (OAFR) and directed it to answer questions about the alternative fuel incentive program and the requirements to qualify for a tax credit and to be the central source for the public to gain access to information or forms necessary to file for a tax credit. By General Tax Procedure 01-01 the Director of the Department of Revenue delegated authority to OAFR to review requests for equitable relief and to the Director and Assistant Director of the Office of Alternative Fuel Recovery to grant equitable relief on behalf of the Department. As of June 9, 2001 the Office of Alternative Fuel Recovery ceased to operate. The authority granted to OAFR and to the Director and Assistant Director OAFR is revoked.

### **DISCUSSION:**

Arizona law requires taxpayers who received tax credits for the purchase, lease or conversion of alternative fuel vehicles to meet certain registration, ownership and fuel usage requirements. However, in some cases, a taxpayer may be relieved from these requirements. In all cases a taxpayer will be required to declare under penalties of perjury that the taxpayer intended to primarily propel the vehicle with alternative fuel and acted in good faith in purchasing the vehicle. All facts asserted or declared by a taxpayer are subject to review and audit, and any determination that a taxpayer is entitled to relief may be revoked if the facts presented in the claim are not correct. Relief granted from the ownership and registration requirements will generally apply to all subsequent tax years unless expressly limited in the notification. Relief granted from the fuel usage requirement will generally apply only to a

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single tax year and relief for subsequent years will have to be applied for and justified.

### **Ownership**

A taxpayer may qualify for relief from the ownership requirement if one of the following conditions is met:

- The ownership of the vehicle was transferred before December 14, 2000, the effective date of Laws 2000, 7th S.S., ch. 1.
- Due to unanticipated changes in the taxpayer's financial condition, continued ownership of the alternative fuel vehicle is a hardship.
- The taxpayer purchased the vehicle with the intent to sell or lease it as allowed by prior law, and the enactment of Laws 2000, 7th S.S., ch. 1, prevented the completion of the intended transaction and rendered continued ownership of the vehicle a financial hardship.
- Any other circumstances that would make the requirement unfair or inequitable to the particular taxpayer.

For purposes of the ownership requirement, "immediate family" is defined as a spouse, parent, child, brother, sister, in-law, grandparent or grandchild.

### **Registration**

The taxpayer may qualify for relief from the registration requirement if one of the following conditions is met:

- The taxpayer relocates to another state and removes the vehicle to the other state.
- If applicable, the conditions listed for relief from the ownership requirement.

- Any other circumstances that would make the requirement unfair or inequitable to the particular taxpayer.

### **Fuel Usage**

The taxpayer may qualify for relief from the fuel usage requirement if one of the following conditions is met:

- The taxpayer shows that the requirement cannot be met because records of fuel usage were not kept prior to December 14, 2000, the effective date of Laws 2000, 7th S.S., ch. 1.
- The taxpayer shows that the requirement cannot be met because of out-of-state travel.
- The taxpayer shows that refueling options are unavailable and the taxpayer was unaware of this unavailability at the time the vehicle was purchased.
- A combination of the above conditions.
- Any other circumstances that would make the requirement unfair or inequitable to the particular taxpayer.

### **PROCEDURE:**

Requests for equitable relief shall be granted or denied as provided below.

#### **I. Application for Relief**

A taxpayer's request for relief must be in writing and must provide sufficient information to establish that the conditions prescribed for the relief requested have been met. Form AFV-RR, "Request for Relief from Alternative Fuel Requirements" is provided for this purpose. To apply for relief, the taxpayer should submit a completed form, together with the necessary information as follows:

A taxpayer may request an advance determination of eligibility for relief by submitting the form to the Department at:

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## **Alternative Fuel Relief**

P.O. Box 29206

Phoenix, Arizona 85038-9206

In its discretion, the Department may waive the requirement that Form AFV-RR be filed and act on a request for relief submitted in some other written form. A copy of the form, along with any response received from the Department, should be attached to the Arizona income tax return for the tax year for which relief was requested.

A taxpayer may also request relief by attaching Form AFV-RR to the tax return when it is filed with the Department.

If you need assistance in completing the Form, call the Department at (602) 542-3345 or (602) 337-7500 and ask for an Equitable Relief Specialist.

## **II. Determination**

The Department will review the taxpayer's form and determine whether the taxpayer qualifies for relief. The taxpayer may be required to furnish additional information. It may be determined that the taxpayer qualifies for full relief, partial relief, or that the taxpayer does not qualify for relief. The Department will issue a written determination and mail it to the taxpayer.

## **III. Review of Unfavorable Determination**

A taxpayer who disagrees with the determination may petition the Department's Hearing Office for a review under A.R.S. § 42-1251. For individual taxpayers, the petition must be in writing and must be filed within 90 days of the mailing of the determination. For all other taxpayers, the petition must be in writing and must be filed within 45 days of the mailing of the determination.

The Hearing Office may affirm or reverse the determination in whole or in part, or may remand the request for relief to the relevant audit section with additional instructions. The Hearing Office will issue a written decision with respect to the review of the determination and mail it to the taxpayer.

A party who disagrees with a determination of the Hearing Office may appeal the determination to the Director of the Department of Revenue. The Director may also independently determine that a Hearing Office decision requires review. If no appeal is made to the Director within 30 days after the Hearing Office decision is received, and the Director does not independently review the decision, the Hearing Office decision is the final order of the department. If the Director reviews the decision, the Director's decision is the final order of the department.

A taxpayer may appeal a final order of the department (whether a Hearing Office decision or a Director's decision) to the State Board of Tax Appeals pursuant to A.R.S. § 42-1253.  
Mark W. Killian, Director

## **Explanatory Notice**

The purpose of a tax procedure is to provide procedural guidance to the general public and to department personnel. A tax procedure is a written statement issued by the department to assist in the implementation of tax laws, administrative rules, and tax rulings by delineating procedures to be followed in order to achieve compliance with the law. Relevant statute, case law, or administrative rules, as well as a subsequent procedure, may modify or negate any or all of the provisions of any tax procedure. See GTP 96-1 for more detailed information regarding documents issued by the Department of Revenue.

# Legislative Summary 2001

The 2001 Legislative Summary provides a brief summary of the tax-related bills that were enacted by the Arizona State Legislature and were approved by the Governor.

Over the next few months the TaxNews will feature Legislative Summaries by tax type.

This month: Transaction Privilege Tax, The general effective date is August 9, 2001

## **HB 2391 (NOW: tax exemption; nonprofits; cultural; civic) – Chapter 314**

HB 2391 contains the following provisions:

- Exempts, from the retail classification of the transaction privilege tax (TPT) and use tax, sales of tangible personal property by a nonprofit organization that is exempt from taxation under the 501(c)(6) of the IRC, if (1) the organization produces, organizes or promotes cultural or civic related festivals or events, and (2) the organization's net earnings in no part benefit any private shareholder or individual.
- Exempts, from the amusement classification of TPT, activities and events of, or fees received by a nonprofit organization that is exempt from taxation under the 501(c)(6) of the IRC, if (1) the organization produces, organizes or promotes cultural or civic related festivals or events, and the organization's net earnings in no part benefit any private shareholder or individual.
- Requires any refund claims to be submitted to DOR on or before December 31, 2001 and specifies that failure to claim a refund on a timely basis constitutes a waiver of the claim for refund.
- Specifies that the burden of proof is on the taxpayer to establish the amount of tax paid for all taxable periods that qualify for a refund amount.
- Requires DOR to review all timely filed claims, determine the accuracy of the claimable refund amount and notify the taxpayer of DOR's final determination.
- Specifies that DOR must not issue any refunds until after a final determination has been made as to the total amount of all refund claims filed by 501(c)(6) exempt nonprofit organizations.
- Limits the total amount of all refunds claimed to \$10,000. If refund claims exceed \$10,000, DOR must reduce each claim proportionately so that the total amount of claims does not exceed the \$10,000 limit.
- Specifies that no interest will be paid on the refund amounts unless DOR issues the refund after June 30, 2002.
- Specifies that section of the bill dealing with retroactivity and refunds is nonseverable.
- Applies changes retroactively from and after December 31, 1982.

The bill is effective on the general effective date.

## **HB 2542 (mobile telecommunications; taxation procedures) – Chapter 202**

HB 2542 conforms state laws to accommodate the Mobile Telecommunications Sourcing Act (P.L. 106-252; 114 stat. 626; 4 United States

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Code sections 116 through 126) signed into federal law on July 28, 2000. Although the Act is currently law, it contains a delayed effective date for the purpose of consumer billing of August 2002. The Act changes the way state and local sales taxes and use taxes are imposed on wireless telecommunication companies.

HB 2542 requires the Arizona Corporation Commission to comply with the Mobile Telecommunications Sourcing Act when imposing any assessments or other charges on mobile telecommunications service providers.

The bill specifies that the Department of Revenue and any city or town must abide by the Act for any taxes levied and collected related to mobile telecommunications services.

The bill specifies consumer procedures for customers who believe they were overcharged for taxes relating to wireless service by a home service provider and how home service providers must respond to these disputes. Home service providers have 60 days to review a customer's records and any electronic data base or enhanced zip code that is used under the Telecommunications Sourcing Act.

HB 2542 provides definitions for (1) customer, (2) home service provider, (3) mobile telecommunications services, and (4) place of primary use.

The bill is effective on the general effective date.

## **HB 2625 (emergency 911 services; revenue) – Chapter 373**

House Bill 2625 provides an increase in the telecommunications service excise tax in order to update equipment used for the emergency telecommunication services.

The bill removes the one and one-fourth percent tax levy on the gross proceeds of sales or the gross income derived from the business of providing exchange access services to finance emergency telecommunication services. It also removes the ten-cent wireless tax levy imposed on providers for each activated wireless service.

HB 2625 then sets a tiered tax levy for activated wire and wireless service to finance emergency telecommunication services as follows:

- For fiscal years FY 2001-2002 through FY 2005-2006, a tax levy of 37 cents per month;
- For fiscal year FY 2006-2007, a tax levy of 28 cents per month;
- For fiscal years beginning FY 2007-2008, a tax levy of 20 cents per month.

The bill further requires each access service provider to state on the invoice to customers a separate line item specifying the amount of the tax levied that will fund emergency telecommunication.

The director of DOA is required in FY 2001-2002 and every two years thereafter to recommend the amount of the telecommunication services excise tax, rather than on an annual basis. The director is to separately account for costs associated with

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wireless access service for emergency telecommunication service systems and report the costs to the President and Speaker by December 31, 2002.

The use of monies in the Emergency Telecommunication Services Revolving Fund have been modified as follows:

- Priority is given to establishing emergency telecommunication services in those areas of the state without the service
- Beginning with FY 2001-2002, DOA may use up to two-thirds of the three percent allocated in the fund for administrative costs. The remaining amount may be allocated for local network management of contracts with public safety answering points for emergency telecommunication services.
- Monies in the fund may be used for a wireless carrier's costs associated with the provision, development, design, construction and maintenance of the wireless emergency telecommunication services in the amount that the wireless carrier has not recovered through the deduction mechanism specified in federal law.

HB 2625 establishes a Study Committee on Arizona's 911 System. The committee is comprised of 12 legislators and is required to submit a report of its findings and recommendations on or before December 1, 2001 to the Governor, Speaker and President.

The bill contains a Proposition 108 clause and was effective immediately on the governor's signature on May 7, 2001.

## **HB 2635 (omnibus budget reconciliation; health.) – Chapter 234**

Section 5 of the bill maintains the telecommunications devices for the deaf (TDD) tax levy at 1.1 percent for FY 2001-2002 and FY 2002-2003. It continues to deposit 0.8 percent into the telecommunications fund for the deaf and 0.3 percent into the poison control fund administered by DHS, subject to legislative appropriation. [The rate and allocation for FY 1999-2000 and FY 2000-2001 is found in Laws 1999, Chapter 176, section 8.]

The bill is effective on the general effective date.

## **SB 1041 (NOW: military reuse zones; renewal exemption) – Chapter 359**

SB 1041 extends the transaction privilege tax deduction for contractors working in military reuse zones that have been renewed. The military reuse zone exemption expires five years after the zone is initially established, except that the governor has the authority to renew a military reuse zone for one additional five-year period, and thereafter, the legislature and governor by joint resolution were given authority to renew for additional five-year terms.

The bill is effective on the general effective date.

*The current military reuse zone at Williams was established on August 2, 1996 and expires August 2, 2001; the Governor's Office indicated she would "probably" extend the Zone's certification.*

## **SB 1130 (sales tax; transient lodging exemptions) – Chapter 137**

SB 1133 exempts, from the retail classification of

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TPT and use tax, food, drink (except alcoholic beverages), or condiment served free of charge at hotels and other temporary lodgings.

The bill applies the changes retroactively to taxable periods beginning from and after June 7, 1994.

### **SB 1259 (NOW: health care facility tax) – Chapter 211**

SB 1259 expands the definitions under the TPT statute to allow a non-profit health care facility under construction to qualify for a TPT exemption.

A.R.S. § 42-5001(9) is amended to provide that “qualifying community health center” includes clinics that are being constructed as qualifying community health centers.

A.R.S. § 42-5001(10) is amended to provide that monies that are used, saved or invested to lease, purchase or construct a facility for health and medical related education and charitable services are included in the eighty percent test for qualifying health care organizations.

A.R.S. § 42-5001(11) is amended to provide that the phrase “qualifying hospital” includes a facility that is under construction and that on completion will be one of the enumerated hospitals, institutions or facilities that qualify for exemption.

A.R.S. § 42-5009 is amended by adding a new subsection G that provides that if a seller claims a deduction for a sale to a qualifying health care organization and establishes entitlement to the deduction with an

exemption letter that the purchaser received from the department, and the exemption letter was based on a contingent event, the department may require the purchaser that received the exemption letter to establish the satisfaction of the contingent event within a reasonable time. If the purchaser cannot establish the satisfaction of the contingent event, the purchaser is liable in an amount equal to any tax, penalty and interest that the seller would have been required to pay if the seller had not been furnished the exemption letter.

The bill is effective on the general effective date.

### **SB 1400 (sales tax; Arizona Highways) – Chapter 36**

SB 1400 exempts, from the personal property rental classification of transaction privilege tax (TPT), leasing or renting photographs, transparencies or other creative works used by this state on internet web sites, in magazines or in other publications that encourage tourism.

The bill is effective on the general effective date.



